

GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING**Fiscal Note 2009 Biennium**

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Bill #	SB0135
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Title:	Equity in gift certificates
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Primary Sponsor:	Tropila, Mitch
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Status:	As Introduced
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|---|---|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input type="checkbox"/> Needs to be included in HB 2 | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input checked="" type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$0	\$86,549
Revenue:				
General Fund	\$0	\$0	\$0	\$5,650,145
Net Impact-General Fund Balance:	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$5,563,596</u>

Description of fiscal impact: This bill revises language in the Montana Code Annotated Title 70, Chapter 9, and Section 8, requiring issuers of gift certificates and stored value cards to remit unused balances after three years to the State of Montana. The bill covers only those gift certificates and stored valued cards sold in the State of Montana. This bill is estimated to increase the general fund by \$5.564 million in FY 2011.

FISCAL ANALYSIS**Assumptions:**

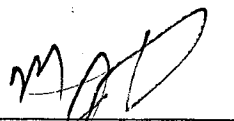
1. The Uniform Unclaimed Property Act and court case history has established the distribution of funds from unclaimed gift certificates and stored value cards follows. Priority goes to the state of last known address of the issuer. If the address is not known or the state in which the last known address exempts that type of property from their unclaimed property code, then the issuer's state of domicile will be entitled to the unclaimed values. Gift certificates and stored value cards sold in Montana that meet the conditions of the Unclaimed Property Act are remitted to the state in which the retailer is domiciled. Most large national retailers are domiciled in the state of Delaware.

2. In February of 1995 Montana, along with other states, negotiated an agreement with Delaware not to contest the forwarding of unclaimed property to the state of domicile (Delaware in a majority of the cases) if the last known address of the unclaimed property owner was unknown. This negotiation specifically covered gift certificates and stored value cards. As a result of the negotiation, Montana received \$100,000 a year for 10 years from the State of Delaware. This agreement ended in 2005. With the expiration of this agreement, Montana is no longer obligated to allow national retailers to remit 60% of the value of store value cards that were sold in Montana but determined to be unclaimed property to the State of Delaware.
3. This bill amends the law so the state can collect 60% of unused balances of store value cards sold in Montana.
4. Figures from the 2005 *Statistical Abstract of the United States* show the use of stored valued cards growing at a rate of over 10.27% through the end of the decade. The most recent data available from the U.S. Census Bureau has stored value cards used in \$69 billion dollars worth of retail transactions. U.S. Census Bureau estimates that by 2007, stored value cards will be used in over \$102 billion of retail transactions nationally.
5. Current Economic Census data reports national retail sales from general merchandise stores totaled over \$444 billion dollars in sales. Montana specific retail sales from general merchandise stores totaled over \$1.6 billion dollars in the same report. The Montana portion of these retail sales equal 0.37% of the national total.
6. For the purposes of this fiscal note, it is assumed that Montana's portion of the value of stored valued cards transactions will mirror Montana's portion of national retail sales. Applying the 0.37% (Montana's portion of retail sales) to the \$69 billion dollars in stored value card transactions, it is estimated that Montana's portion of these transactions totaled over \$255 million dollars.
7. There has been a limited amount of research on uses of stored value cards. In the available research the percentage of stored value cards that are not used varies with the highest percent being 10%. None of the research covers more than a one year period.
8. This bill requires that the gift certificates or stored value cards be dormant for three years after purchased. Articles from the National Retail Trade Association highlight an emerging consumer trend where consumers bundle stored value cards together to make large purchases. Assuming that the bundling behavior accounts for the high percentage of stored value cards that are not used during the first year after being purchase. This fiscal note uses a conservative estimate that 5% of stored value cards sold in the state of Montana will become unclaimed property.
9. This bill is effective starting FY 2008 and due to the 3 year period that property must be dormant under unclaimed property law, there will be a lag in revenue collections from unclaimed gift certificates and stored value cards. The bill's effect on gift certificates and stored value cards will be fully phased in by FY 2011. As the bill comes into full effect, not all retailers will be in compliance with this bill. A conservative 50% rate of noncompliance was used in FY 2011.
10. For this fiscal note, the basis of the unclaimed property revenue from gift certificates and stored value cards in FY 2011 is the value of stored value card transactions that occurred in 2007. As stated above, the estimated national total of stored value card transaction is \$102 billion dollars for 2007. Using Montana's portion of national retail sales from general merchandise stores, it is estimated that the Montana total of stored value card transactions will be \$377 million dollars ($\$102,018,419,302 \times 0.0037 = \$ 376,676,347$) in 2007. Five percent of these transactions would equal \$18.8 million dollars. Under the Uniform Unclaimed Property Act, Montana's portion of the unclaimed cards would be 60% or \$11.3 million dollars. Applying the 50% noncompliance factor drops the estimated revenue for fiscal 2011 to \$5.7 million dollars ($\$11,300,290 \times 50\% = \$ 5,650,145$).
11. The department intends to work with retailers to develop a compliance program that enables retailers to comply with the changes to the unclaimed property laws created by this bill. This will require the department to provide staff to educate and monitor retailers. It is estimated that 1 FTE will be required to meet these ongoing requirements.

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
<u>Fiscal Impact:</u>				
FTE	0.00	0.00	0.00	1.00
<u>Expenditures:</u>				
Personal Services	\$0	\$0	\$0	\$56,751
Operating Expenses	\$0	\$0	\$0	\$23,898
Equipment	\$0	\$0	\$0	\$5,900
TOTAL Expenditures	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$86,549</u>
<u>Funding of Expenditures:</u>				
General Fund (01)	\$0	\$0	\$0	\$86,549
TOTAL Funding of Exp.	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$86,549</u>
<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$0	\$5,650,145
TOTAL Revenues	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$5,650,145</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	\$0	\$0	\$0	\$5,563,596

Long-Range Impacts:

1. This fiscal note assumes only 50% compliance in the first year of implementation, FY 2011. As compliance increases and the use of stored value card expands, revenue from unclaimed stored value cards should increase into the future.


Sponsor's Initials

1/19/07
Date


Budget Director's Initials

1/18/07
Date